

11-1950

How To Get Improvements On A Rented Farm

John F. Timmons
Iowa State College

I. W. Arthur
Iowa State College

Follow this and additional works at: <https://lib.dr.iastate.edu/farmscience>



Part of the [Agriculture Commons](#)

Recommended Citation

Timmons, John F. and Arthur, I. W. (1950) "How To Get Improvements On A Rented Farm," *Iowa Farm Science*: Vol. 5 : No. 5 , Article 4.

Available at: <https://lib.dr.iastate.edu/farmscience/vol5/iss5/4>

This Article is brought to you for free and open access by the Extension and Experiment Station Publications at Iowa State University Digital Repository. It has been accepted for inclusion in Iowa Farm Science by an authorized editor of Iowa State University Digital Repository. For more information, please contact digirep@iastate.edu.

HOW TO GET IMPROVEMENTS ON A RENTED FARM

by John F. Timmons and I. W. Arthur



HOW TO MAKE improvements on rented farms is one of the most difficult problems facing landlords and tenants. Some are working out their own solutions. But most of them are still looking for satisfactory ways and means for making improvements. About a third of the requests to the college for rental information concern this problem.

Our interviews with both landlords and tenants furnish a number of basic reasons why improvements aren't made on tenant farms. An understanding of these reasons can help us find ways and means to work out arrangements for making improvements.

From the tenant's viewpoint, there are three major reasons why he doesn't make improvements he feels are needed:

- He may be uncertain he'll remain on the farm long enough to get full benefit from the improvements.

- There are no arrangements to compensate him for his unused value of the improvement if he moves from the farm.

- Since improvements make the landlord's property more valuable and attractive to others, a sale of the farm or an increase in rent may come about eventually because of improvements the tenant has helped to make.

Probably the main reason why landlords may be reluctant to make improvements is that they won't share directly in the benefits. Under crop-share leases, for example,

landlords don't share directly from livestock housing, fencing, feeding floors and water supplies—even though indirect benefits may come about through increased value of the farm. Neither do landlords share directly in improving the tenant's house—even though indirect benefits may come from keeping or attracting better tenants. The landlord may feel his income will be decreased because of higher taxes, repairs and upkeep resulting from improvements.

Additional reasons shared by landlords and tenants help account for not making improvements on tenant farms. First, either the landlord or tenant may not feel a particular improvement is necessary even though both would share from its benefits. Second, they may not be financially able to go ahead with the improvement although they appreciate its desirability.

Fortunately, a number of landlords and tenants are working out means of overcoming obstacles to making improvements on rented farms. These may prove helpful to others still looking for ideas in making improvements in their own situations. From discussions with farm owners and tenants, ten general alternative ways may be used for making improvements on rented farms. These alternatives vary with individual situations and need:

Landlord and tenant share costs and benefits

One method of making improvements on rented land is for the landlord and tenant to share the costs of an improvement according to benefits they receive. For example, if landlord and tenant share a crop like corn or oats equally, then the fertilizer might be shared equally. However, if fertilizer benefits extend over several years and beyond the period the tenant is sure of remaining on the farm, the land-

lord might assume the costs in proportion to benefits which remain after the tenant leaves. Where all benefits from the improvement occur while the tenant is on the farm, the costs may be shared according to the benefits each receives. This arrangement should apply to many of the shorter-term improvements.

Landlord furnishes materials and tenant furnishes labor

Another fairly common arrangement is for the landlord to furnish materials and the tenant to furnish labor. This method fits in well with minor improvements such as fencing—particularly if the tenant can put in the fence during slack periods of the year. If considerable work is involved, the tenant may want to be sure of getting full benefit from his labor through a long-term lease or through arrangements to obtain compensation for any unused value of his contribution if he moves soon after the improvement is made.

Swapping improvement efforts

Still another way of making improvements is for one party to make part or all of an improvement providing a similar improvement effort is made by the other party to the lease. For example, the tenant may fill a gully in return for the landlord making an improvement on the house. Likewise, cash rent for pasture and meadow land may be reduced if the tenant furnishes half of the grass and legume seed.

Tenant makes improvement under long-term lease

When the tenant is assured of remaining on the farm long enough to get full benefits from an improvement such as a yard fence or

JOHN F. TIMMONS is professor of agricultural economics. I. W. ARTHUR is associate professor of agricultural economics. Both are interested in landlord-tenant relationships. This article is based upon farm rental research conducted by the Iowa Agricultural Experiment Station in cooperation with the Iowa State College Agricultural Foundation.

feeding floor, he may make the improvement himself. This is particularly applicable to improvements from which the landlord receives no direct benefits through current income. Also, long-term leases may permit landlord and tenant to share costs in the manner benefits are received over the period of the lease. For example, if effects from liming last 5 years, and both parties share equally in the crops produced, it would appear that the two parties could share the costs of the lime equally—providing the lease ran the full 5 years.

Tenant makes improvement under compensation provision

In cases where the tenant may not expect full benefits from an improvement because of his uncertainty of remaining on the farm he may still make the improvement providing the landlord agrees to compensate him for any unused benefits when and if the tenant leaves the farm. This may apply to fertilizers, liming, terracing, feeding floors, water systems, corncribs, and a number of similar improvements. (The Iowa Agricultural Extension Service has developed a "lease rider" for carrying out such an arrangement which may be used as a part of the current lease.)

Landlord makes improvement and receives improvement rent

Sometimes the landlord would rather make the improvement himself and charge an "improvement rent" paid annually by the tenant. For example, the landlord may put a bathroom in the farm house including running water and sewage disposal. Since the landlord receives no direct benefit from this improvement—which benefits the tenant almost exclusively—the tenant may be willing and glad to pay the landlord an extra \$50 or \$75 a year "improvement rent" until the cost is paid or until the tenant moves.

In this manner, the tenant enjoys better living conditions for his family, and the landlord is reimbursed for his investment. Or, the landlord may not expect to receive the full cost through "improvement rent" since the value of his farm is increased and he may be able to hold or attract a better tenant than would otherwise be the case.

Sharing benefits and costs through stock-share lease

Under the stock-share lease, both landlord and tenant share in benefits from a wider range of improvements than with crop-share and cash rental arrangements. For example, benefits from an investment for a feeding floor are shared by both parties since they also share in the livestock. The same may be true of fencing, stock water supplies, dairy equipment, poultry houses and a wide range of like improvements.

However, in sharing investments for these kinds of improvements, the tenant may want assurance that he'll remain on the farm long enough to get full benefit from his share of the investment or otherwise be compensated.

Tenant makes improvements which can be removed

If the landlord isn't willing or interested in sharing in investments from which he receives no direct benefits, the tenant may invest in movable improvements—which he can take with him if and when he moves. Tenants should make sure such improvements aren't made in a manner to be considered fixtures under the law (see "Is Your Farm Lease Legal?" September, 1950). And the improvements must be removed in the manner and within

the period of time after leaving the farm as specified by the law.

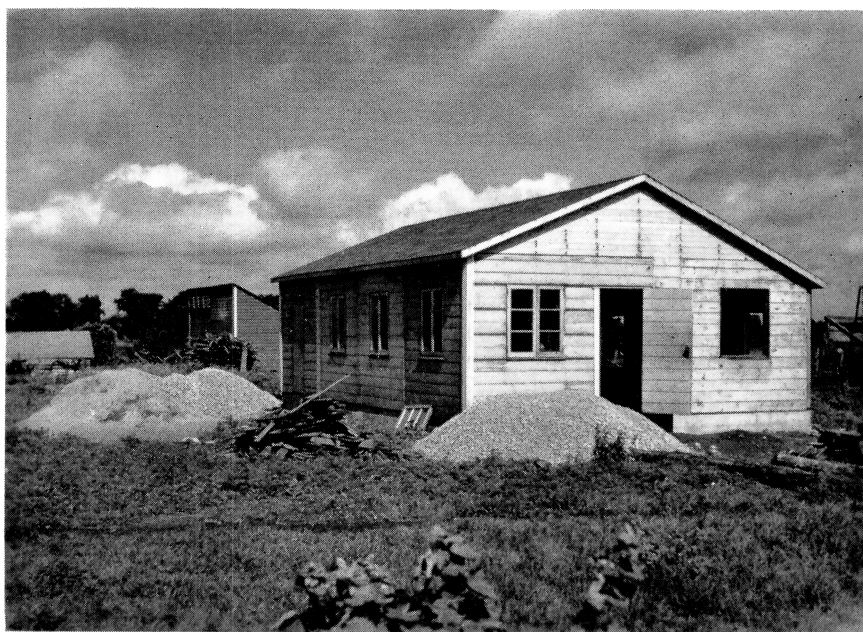
Joint credit for financing improvement

Sometimes neither tenant nor landlord has funds available for making an improvement such as a corncrib for sealing corn although both may be convinced of the value of an improvement. In such cases, they may wish to obtain credit from public or private sources and be jointly responsible for interest and repayment of the debt to the extent that both share the benefits.

Related tenants who expect to inherit farms

Tenants renting farms from their parents may go ahead and make improvements with the idea that they'll eventually own the farm. But caution is often needed in such cases.

Suppose a related tenant pays for several improvements on the home farm without first securing a written understanding that he'll be reimbursed for them. If the estate is later settled according to the laws of descent and there are other heirs, the tenant will find the improvements he made are owned by all of the heirs. If he tries to buy out the others, he'll have to pay a higher price because of the improvements he's made and paid for.



Landlord and tenant cooperated to build this poultry house on a Van Buren County farm. Tenant furnished unskilled labor during slack seasons, and landlord materials and skilled labor. Poultry was included in their livestock-share lease.